Westpac Property Investor Report

February 2015

Yield or capital gain?

If you're looking at investing in property some of the questions you're likely to ask yourself include "do I invest for capital gain or yield?" and "where should I invest?".

The exclusive Westpac Property Investor Report (September 2014) may help shed some light on finding the answers to those questions and more.

The full Report identifies the top suburbs for yield or capital gain returns in seven centres across New Zealand; including Auckland, Hamilton, Tauranga, Palmerston North, Wellington, Christchurch and Dunedin, for the 12 months to September 2014

Take a look below at our snap shot of the top suburbs for residential investment.

Auckland

When looking at which areas across the country do best in both "capital gain" and "rental yield", Auckland takes all top ten spots and is led by Otara, which has the best gains with a gross yield of 5.9% and a capital gain of 15.9%.

Overall, Auckland's residential market continues to show strong capital growth with average capital gains sitting at 12.2% across the region. A closer look at the numbers show that this growth is being driven by Auckland's southern and outer central suburbs with areas such as Mangere Bridge and Glen Innes showing gains of 17.5%. Auckland apartments/flats display a similar trend with 12% capital growth, however the strongest growth in this part of the market is in Mount Wellington (17.4%) and Panmure (17.2%).

When it comes to "rental yields", Wellsford is the best area in houses with a gross yield of 7.1%. Central Auckland remains top for the apartment/flat market with a 6.5% gross yield.

Auckland: Top 10 suburbs for Capital Gain returns

Suburb	Property type	Median Weekly Rent	Estimated Valuation (2014)	Capital Gain
Mangere Bridge	House (3 Beds)	$450	$620,000	17.5%
Glen Innes	House (3 Beds)	$490	$679,000	17.5%
Mount Wellington	Apt/Flat (2 Beds)	$377	$412,000	17.4%
Panmure	Apt/Flat (2 Beds)	$382	$432,000	17.2%

Mangere	House (3 Beds)	$400	$432,000	16.8%
Waterview	Apt/Flat (2 Beds)	$350	$501,000	16.5%
Point England	Apt/Flat (2 Beds)	$385	$383,000	16.2%
Otara	House (3 Beds)	$395	$348,000	15.9%
Meadowbank	Apt/Flat (2 Beds)	$397	$520,000	15.8%
Royal Oak	Apt/Flaty (2 Beds)	$440	$558,000	15.4%

Auckland: Top 10 suburbs for Gross Yield returns

Suburb	Property type	Median Weekly Rent	Estimated Valuation (2014)	Gross Yield
Wellsford	House (3 Beds)	$400	$293,000	7.1%
Auckland Central	Apt/Flat (2 Beds)	$432	$345,000	6.5%
Otahuhu	Apt/Flat (2 Beds)	$312	$254,000	6.4%
Manurewa	Apt/Flat (2 Beds)	$359	$294,000	6.3%
Manukau	Apt/Flat (2 Beds)	$377	$321,000	6.1%
Eden Terrace	Apt/Flat (2 Beds)	$461	$401,000	6.0%
Mangere East	Apt/Flat (2 Beds)	$320	$279,000	6.0%
Takanini	Apt/Flat (2 Beds)	$320	$280,000	5.9%
Otara	House (3 Beds)	$395	$348,000	5.9%
Grafton	App/Flat (2 Beds)	$478	$424,000	5.9%

Median Weekly Rent: based on data released by the Ministry of Business, Innovation and Employment ("MBIE") on tenancy bonds lodged with MBIE from October 2013 to September 2014

Estimated Valuation: is the average estimated market valuation for all rental stock in that suburb as at 30 September 2014. Calculated using Data Insight's "Automated Valuation Model", which uses Real Estate Institute of New Zealand (REINZ) sourced data sales over a 12 month period (October 2013 to September 2014), property attributes and mathematical models to estimate the likely market valuation of rental properties in the relevant suburb based on recent comparable sales in that suburb and considering characteristics including age of building, land area, floor area and number of bedrooms and bathrooms.

Gross Yield: calculated by multiplying the Median Weekly rent of a suburb by 52 (weeks in a year), divided by the relevant suburb's Estimated Valuation.

Capital Gain: measures the change in Estimated Valuation between September 2011 and September 2014 for all rental stock in a suburb, divisible by the September 2011 valuation and annualised to calculate a percentage, which is then averaged across all properties in that suburb.

How does Estimated Value compare to Capital Value? Estimated Value is different from the Capital Value (CV) used by councils to set rates for properties. The Estimated Value is based on the details of specific individual properties, such as size, number of bedrooms and bathrooms, and similar properties recently sold, while the CV is a calculation of the land value with improvements determined for rateable assessment and as at a set date in time. Capital gains have been calculated based only on rental properties so all results are specific to the rental market.

Results have been considered and separated by property type and number of bedrooms, with the most common bedroom size for each suburb shown in the table above. Where data volumes were insufficient for a reliable separate output, the bedroom sizes were aggregated together.

Data Availability: Suburbs are reported on only where sufficient rental and property data is available for the reported period. To report on a suburb there needs to be sufficient data in all of the following areas to enable calculations to be made: stock (rental properties) in the suburb; sales activity (to enable the capital gains calculations to be made); and bond lodgements (to enable yield calculations).